

Prospectus/February 1, 2000

## Mosaic Tax-Free Trust

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*Arizona Fund*

*Missouri Fund*

*National Fund*

*Maryland Fund*

*Virginia Fund*

*Tax-Free Money Market*

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Mosaic Tax-Free Trust offers six mutual funds whose objectives are to provide investors tax-free dividend income. They seek to achieve this objective by investing in tax-free municipal bonds.

The *Arizona, Maryland, Missouri* and *Virginia Funds* provide dividend income free of both federal and state income tax for those who purchase shares in the fund of their state of residence.

The *National Fund* provides dividend income free of federal tax for residents of any state.

The *Tax-Free Money Market* is a money market mutual fund that provides dividend income free of federal tax for residents of any state.

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### Features

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- No commissions or sales charges
- \$1,000 minimum initial investment
- No “12b-1” expenses
- Checking privileges
- Dividends accrue every day and can be paid by check, electronic funds transfer, or reinvested monthly
- Invest or withdraw funds by phone or by mail

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***The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.***

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Madison Mosaic, LLC  
Investment Advisor

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## **Risk/Return Summary: Investments, Risks and Performance**

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### **Fund Investment Objectives/Goals**

Each mutual fund portfolio offered by Mosaic Tax-Free Trust (the “Trust”) shares a common objective: To receive income from municipal bonds and to distribute that income to its investors as tax-free dividends. Generally, a “municipal” bond is one that is issued by a city, state or county government. As a result, all dividends from each of the six Funds offered by the Trust are intended to be free from federal income tax.

The Arizona, Maryland, Missouri and Virginia Funds have a second objective: To distribute dividends that are intended to be exempt from state (and local) tax as well as federal tax.

Finally, the Tax-Free Money Market has the additional objectives of preserving capital and providing liquidity.

### **Principal Investment Strategies of the Trust**

Each fund seeks to achieve its objective through diversified investment in municipal bonds. These securities may be issued by state governments, their political subdivisions (for example, cities and counties) and public authorities (for example, school districts, housing authorities, etc.). The funds may also invest in bonds that, under federal law, are exempt from federal and state income taxation, such as bonds issued by the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

We only purchase “investment grade” bonds for the funds. That means bonds in the top four rating categories awarded by nationally recognized statistical rating organizations such as Moody’s and S&P.

The Tax-Free Money Market has a second principal investment strategy of seeking to maintain a stable share price of \$1.00 per share.

### **Principal Risks of Investing in the Trust**

#### ***All Funds***

##### **Interest Rate Risk**

The share price of each of these funds reflects the value of the bonds held by them. When interest rates or general demand for municipal securities change, the value of these bonds change. If the value of these bonds falls, the share price of the fund will go down. If it falls below the price you paid for your shares, you could lose money when you redeem your shares.

What might cause bonds to lose value? One reason is because interest rates went up. When this happens, existing bonds that pay a lower rate become less attractive and their prices tend to go down.

### **Legislative Risk**

If Congress or a state legislature changes or limits the tax code or the tax-free nature of municipal bonds, they could lose value.

### **Call Risk**

If a municipal bond issuer “calls” a bond (pays it off at a specified price before it matures), the affected fund would have to reinvest the proceeds at a lower interest rate. It may also experience a loss if the bond is called at a price lower than what we paid.

### **Tax-Related Risk**

You can receive a taxable distribution of capital gain. You may also owe taxes if you sell your shares at a price that is higher than the price you paid for them.

### **Fund Specific Risks**

#### ***Arizona Fund***

Particular risks to consider when investing in Arizona securities are:

- There are no general obligation bonds
- The State has a seasonal population
- Its population is concentrated in Phoenix
- The State restricts local school bond issues

#### ***Maryland Fund***

Particular risks to consider when investing in Maryland securities are:

- The State began implementing a 10% income tax reduction in 1999
- The State must have a balanced budget
- The State has historically been heavily indebted
- Marylanders rely heavily on Federal government employment

#### ***Missouri Fund***

Particular risks to consider when investing in Missouri securities are:

- Tax cuts were implemented in 1999
- The State has desegregation lawsuit obligations and must defend riverboat gambling lawsuits
- The State’s economy is more heavily dependant on transportation than other states
- The State economy is subject to the cyclical automobile and defense-related manufacturing sectors

### ***Virginia Fund***

Particular risks to consider when investing in Virginia securities are:

- The State has rising debt levels
- The State must have a balanced budget
- A \$2.8 billion “car tax” revenue loss is pending
- Virginians rely heavily on Federal government employment
- Single-term governorships may result in volatile financial policies and management.

### ***Tax-Free Money Market***

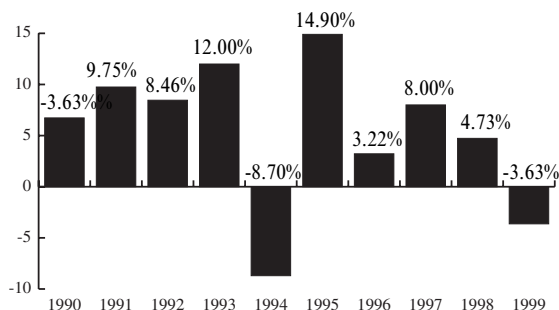
Since the Tax-Free Money Market’s share price is intended to be stable at \$1.00 per share, it is most suitable for investors who are seeking current income with low risk. Of course, as interest rates generally rise and fall in the overall economy, the yield of this fund will rise and fall in the same manner.

An investment in the Tax-Free Money Market is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Tax-Free Money Market seeks to preserve the value of your investments at \$1.00 per share, it is possible to lose money by investing in this fund.

### **Risk/Return Bar Chart and Performance Table**

The following bar charts illustrate the variability of each fund’s returns by showing changes in each fund’s performance from year to year over a 10-year period (or for the life of the fund, if less than 10 years). After the bar chart for each fund is a table that compares the fund’s average annual total returns with those of a broad-based securities market index that is not subject to the fees and expenses typical of mutual funds. Remember, however, that past performance does not necessarily indicate how a fund will perform in the future.

## ARIZONA FUND

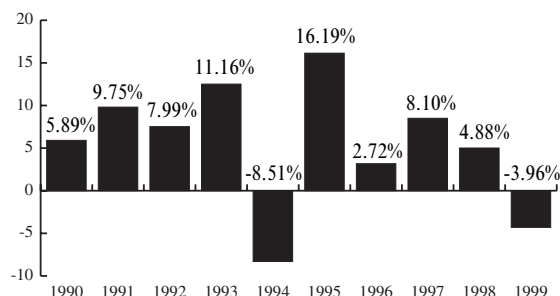


During the period shown in the bar chart, the highest return for a quarter was 6.66% (quarter ending March 31, 1995) and the lowest return for a quarter was -7.61% (quarter ending March 31, 1994).

**Average Annual Total Returns**  
(for the periods ending December 31, 1999)

	Past One Year	Past 5 Years	Past 10 Years
Arizona Fund	-3.63%	5.27%	5.32%
Lehman Muni Index*	-2.06%	6.91%	6.89%

## MISSOURI FUND

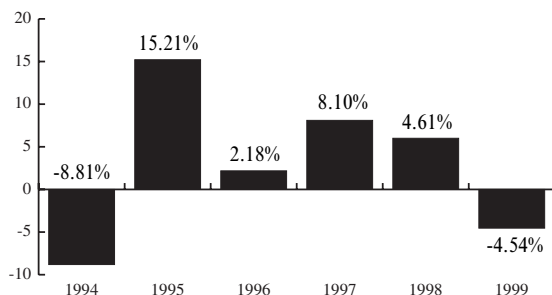


During the period shown in the bar chart, the highest return for a quarter was 7.35% (quarter ending March 31, 1995) and the lowest return for a quarter was -6.69% (quarter ending March 31, 1994).

**Average Annual Total Returns**  
(for the periods ending December 31, 1999)

	Past One Year	Past 5 Years	Past 10 Years
Missouri Fund	-3.96%	5.38%	5.19%
Lehman Muni Index*	-2.06%	6.91%	6.89%

## MARYLAND FUND

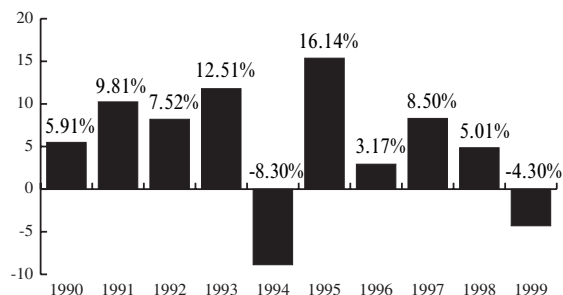


During the period shown in the bar chart, the highest return for a quarter was 7.05% (quarter ending March 31, 1995) and the lowest return for a quarter was -7.97% (quarter ending March 31, 1994).

**Average Annual Total Returns**  
(for the periods ending December 31, 1999)

	Past One Year	Past 5 Years	Since Inception February 10, 1993
Maryland Fund	-4.54%	4.91%	3.33%
Lehman Muni Index*	-2.06%	6.91%	6.89%

## VIRGINIA FUND

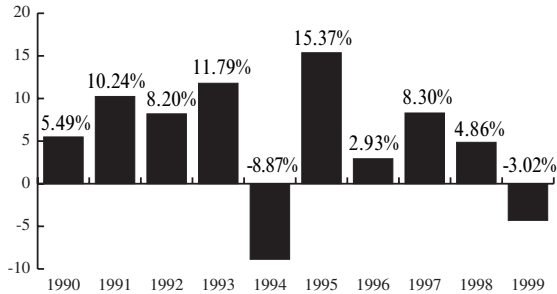


During the period shown in the bar chart, the highest return for a quarter was 6.78% (quarter ending March 31, 1995) and the lowest return for a quarter was -7.23% (quarter ending March 31, 1994).

**Average Annual Total Returns**  
(for the periods ending December 31, 1999)

	Past One Year	Past 5 Years	Past 10 Years
Virginia Fund	-4.30%	5.49%	5.36%
Lehman Muni Index*	-2.06%	6.91%	6.89%

## NATIONAL FUND

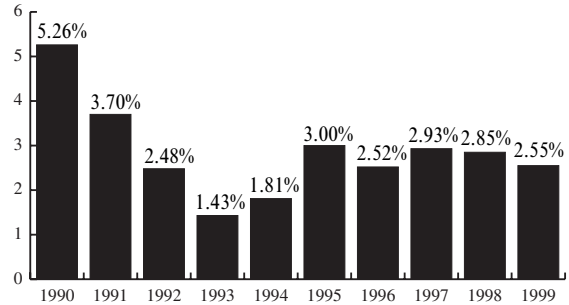


During the period shown in the bar chart, the highest return for a quarter was 6.42% (quarter ending March 31, 1995) and the lowest return for a quarter was -7.77% (quarter ending March 31, 1994).

Average Annual Total Returns (for the periods ending December 31, 1999)			
	Past One Year	Past 5 Years	Past 10 Years
National Fund	-3.02%	5.51%	5.30%
Lehman Muni Index*	-2.06%	6.91%	6.89%

\*The Lehman Brothers Municipal Bond Index is a recognized, unmanaged index of approximately 25,000 investment grade municipal bonds.

## TAX-FREE MONEY MARKET



During the period shown in the bar chart, the highest return for a quarter was 1.33% (quarter ending June 30, 1990) and the lowest return for a quarter was 0.31% (quarter ending September 30, 1993).

Average Annual Total Returns (for the periods ending December 31, 1999)			
	Past One Year	Past 5 Years	Past 10 Years
Tax-Free Money Market	2.55%	2.77%	2.82%

To obtain the current 7-day yield for the Tax-Free Money Market or the 30-day yield for any other fund, call our shareholder service department toll-free at 888-670-3600.

## **Fees and Expenses of the Trust**

This table describes the fees and expenses that you may pay if you buy and hold shares of any fund offered by Mosaic Tax-Free Trust.

### **Shareholder Fees** (fees paid directly from your investment)

Maximum Sales Charge (Load) of any type . . . . .	None
Redemption Fee . . . . .	None
Exchange Fee . . . . .	None

### **Annual Fund Operating Expenses** (expenses that are deducted from fund assets)

	<b>Arizona Fund</b>	<b>Maryland Fund</b>	<b>Missouri Fund</b>	<b>Virginia Fund</b>	<b>National Fund</b>	<b>Tax Free Money Market</b>
Management Fees . . . . .	0.63%	0.63%	0.63%	0.63%	0.63%	0.50%
Distribution (12b-1) Fees . . . . .	None	None	None	None	None	None
Other Expenses . . . . .	0.48%	0.50%	0.46%	0.39%	0.44%	0.36%*
Total Annual Fund Operating Expenses . . . . .	1.11%	1.13%	1.09%	1.02%	1.07%	0.86%*

\*During the fiscal year ending September 30, 1999, the other expenses was 0.27% and Total Annual Fund Operating Expenses was 0.77% because we waived expenses. This waiver is in effect as of the date of this prospectus, but we may end it at any time.

### *Example:*

This Example is intended to help you compare the cost of investing in a fund offered by Mosaic Tax-Free Trust with the cost of investing in other mutual funds. For simplicity, fee and expense percentages above are rounded to two decimal places.

The Example assumes that you invest \$10,000 in the fund for the time periods indicated. The Example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	<b>Arizona Fund</b>	<b>Maryland Fund</b>	<b>Missouri Fund</b>	<b>Virginia Fund</b>	<b>National Fund</b>	<b>Tax Free Money Market</b>
1 year . . . . .	\$113	\$115	\$111	\$104	\$109	\$88
3 years . . . . .	\$353	\$359	\$347	\$325	\$340	\$274
5 years . . . . .	\$612	\$622	\$601	\$563	\$590	\$477
10 years . . . . .	\$1352	\$1375	\$1329	\$1248	\$1306	\$1061



Additional fees and transaction charges described in Mosaic’s “**Guide to Doing Business**,” if applicable, will increase the level of expenses that can be incurred. (For example, fees are charged for certain wire transfers, stop payments on checks and bounced investment checks). In addition, if you purchase or redeem shares in the Trust through a securities broker you may be charged a transaction fee by the broker for handling of the transaction. The Trust does not receive these fees. You can engage in any transaction directly with the Trust to avoid such charges.

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## **Investment Objectives**

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Each mutual fund portfolio offered by the Trust shares a common objective: To receive income from municipal bonds and to distribute that income to its investors as tax-free dividends. Generally, a “municipal” bond is one that is issued by a city, state or county government. As a result, all dividends from each of the six funds offered by the Trust are intended to be free from federal income tax.

The Arizona, Maryland, Missouri and Virginia Funds have a second objective: To distribute dividends that are intended to be exempt from state (and local) tax as well as federal tax.

Finally, the Tax-Free Money Market has the additional objectives of preserving capital and providing liquidity.

There can be no assurance that the objective of any fund will be achieved.

Although the investment objective of any fund may be changed without shareholder approval, shareholders will be notified in writing prior to any material change.

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## **Implementation of Investment Objectives**

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We select bonds for each fund that we believe provide the highest combination of yield (the interest rate the bond pays in relation to its price), credit risk and diversification for the respective fund. To a lesser extent, we also consider whether a particular bond may increase in value from its price at the time of purchase. We research and analyzes bonds with the following principal investment strategies in mind:

### **Municipal Bonds**

Each fund seeks to achieve its objective through diversified investment in municipal bonds. These securities may be issued by state governments, their political subdivisions (for example, cities and counties) and public authorities (for example, school districts, housing authorities, etc.). The funds

may also invest in bonds that, under federal law, are exempt from federal and state income taxation, such as bonds issued by the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

The Arizona, Maryland, Missouri and Virginia Funds will invest in bonds that are exempt from federal and state income tax for residents of the state of issue.

The National Fund and Money Market will invest in bonds that are exempt from federal income tax.

We will rely on the opinion of counsel to the issuer of these bonds that they are, in fact, exempt from tax.

We have a fundamental policy that at least 80% of each fund will be invested in tax-exempt securities. Since this is a fundamental policy, we cannot change the policy without shareholder vote.

### **Tax-Free Money Market Policies**

We manage the Tax-Free Money Market to maintain a stable share price of \$1.00 per share. We do this by investing in high-grade municipal securities having a maximum effective maturity of 13 months. We will not purchase any investment that at the time of purchase would cause the average effective maturity of the fund to exceed 90 days. We intend to manage the Money Market in accordance with current regulations of the Securities and Exchange Commission applicable to funds seeking to maintain a constant price per share of \$1.00.

### **Bond Diversification**

Each fund invests in general obligation bonds of states and municipalities (backed by the general credit of the issuing city, state or county) and specific or limited purpose bonds (supported by a specific power company, hospital or highway project, etc.). Each fund seeks to limit its exposure from any single issuer. This is accomplished by limiting fund purchases from any issuer to no more than 5% of the fund's value at time of purchase.

### **Bond Maturity**

Each fund other than the Money Market invests in long-term bonds. This is because they normally provide a higher return than comparably rated shorter-term bonds. However, long-term bonds have a greater tendency to fluctuate in value as interest rates change.

The bonds in any fund other than the Money Market may have an average maturity of 20 years or more. Average maturities of 15 to 20 years will be more typical. An average maturity of 10 years or less may be appropriate in some market conditions.

## **Bond Quality**

The Trust only purchases “investment grade” bonds. That means bonds in the top four rating categories awarded by nationally recognized statistical rating organizations such as Moody’s and S&P (e.g., AAA, AA, A and BBB). (You should refer to the Statement of Additional Information if you would like more detail about the meaning of bond ratings.)

If a fund owns a bond that is downgraded below investment grade, the fund will sell the bond. We will attempt to sell the bond so as to avoid incurring a substantial loss. As a result, the affected fund may have to hold the bond for awhile after its downgrade in an attempt to avoid selling it at a “fire sale” price.

## **Portfolio Trading Activity - Taxable Capital Gains Potential**

We may alter the composition of any fund with regard to quality and maturity and it may sell securities prior to maturity. Under normal circumstances, however, turnover for each fund is generally not expected to exceed 100% (except for the Money Market for which turnover statistics are not applicable).

Sales of fund securities may result in capital gains that are not exempt from taxation. This can occur any time a fund sells a bond at a price that was higher than the price it paid for the bond, even if the fund does not engage in active or frequent trading.

Under normal circumstances, no fund will engage in active or frequent trading of its bonds. However, it is possible that we will determine that market conditions require a significant change to the composition of a fund’s portfolio. (For example, if interest rates rise or fall significantly, we may attempt to sell bonds before they lose much value.)

Also, if a fund experiences large swings in shareholder purchases and redemptions, we may be required to sell bonds more frequently in order to generate the cash needed to pay redeeming shareholders. Under these circumstances, the fund (other than the Money Market) could make a taxable capital gain distribution.

## **Temporary Defensive Position**

We might determine that extraordinary conditions exist (such as tax law changes or a need to adopt a defensive investment position) that make it advisable to invest a larger portion of any Fund’s assets in taxable investments. If this occurs, more than 20% and even as much as 100% of a Fund’s assets could be invested in securities whose income is taxable on the federal or state level. If this situation were to occur, the affected Fund would not be invested in a manner designed to achieve its investment objective.

## **Risks**

### ***Interest Rate and Market Risk***

The value of shares purchased in each fund will fluctuate due to changes in the value of securities held by such fund. Of course, the Tax-Free Money Market has little risk of price fluctuation because it is managed to maintain a constant \$1.00 share price. At the time an investor sells his or her shares, they may be worth more or less than their original cost.

Municipal securities tend to increase in value when prevailing interest rates fall, and to decrease in value when prevailing interest rates rise. The longer the maturities of the bonds held in the fund, the greater the magnitude of these changes. Investments with the highest yields may have longer maturities or lower quality ratings than other investments, increasing the possibility of fluctuations in value per share.

### ***Legislative Risk***

Municipal bonds pay lower rates of interest than comparable corporate bonds because of the tax-free nature of their interest payments. If the tax-free status of municipal securities is altered or eliminated by act of Congress or the legislature of any particular state, the value of the affected bonds will drop. This is because their low interest payments will be less competitive with other taxable bonds.

### ***Tax-Related Risk***

While dividend income is expected to be tax-free, shareholders in each fund can recognize taxable income in two ways:

- (1) If you sell your shares at a price that is higher than when you bought them, you will have a taxable capital gain. On the other hand, if you sell your shares at a price that is lower than the price when you bought them, you will have a deductible capital loss.
- (2) In the event a fund sells more securities at prices higher than when they were bought by the fund, the fund may pass through the profit it makes from these transactions by making a taxable capital gain distribution. (The discussion regarding Portfolio Trading Activity - Taxable Capital Gains Potential in the previous section above explains what circumstances can produce taxable capital gains.)

### ***Call Risk***

We may buy "callable bonds." This means that the issuer can redeem the bond before maturity. An issuer may want to call a bond after interest rates have gone down. If an issuer calls a bond we own, we would have to reinvest the proceeds at a lower interest rate. Also, if the price we paid for the bond was higher than the call price, the effect is the same as if the affected fund sold the bond at a loss.

### ***Portfolio Specific Risks***

*Money Market Fund is Not Guaranteed.* We intend to manage the Money Market to maintain a constant share price of \$1.00. This \$1.00 share price has been maintained since the fund's inception. However, there is no assurance that the fund will be able to maintain a constant share price of \$1.00 in the future.

*Arizona, Maryland, Missouri and Virginia Funds are Not Diversified Geographically.* Since each of these funds will invest primarily in securities issued by one state, each fund is susceptible to changes in value due to political and economic factors affecting its state. Discussed below are various risks you should consider when investing in a single state bond fund. We monitor these developments and unique situations in each state. We attempt to make purchases or sales for the Trust with these specific state related risks in mind.

#### **Arizona Fund**

The State of Arizona does not issue general obligation bonds. As a result, Arizona municipal bonds are issued by local jurisdictions (cities, school districts) or are tied to specific municipal projects. This also means that bonds are not always backed by state-wide revenues.

Missouri is somewhat more dependant on transportation (railroads, trucking and air) than the nation as a whole. If the oil costs rise or other factors affect the transportation sector, Missouri could be more seriously affected than other states.

Missouri recently approved tax cuts that will reduce 1999 revenue. The State is also subject to certain spending requirements resulting from desegregation lawsuits. It is currently facing lawsuits over riverboat gambling.

### **Virginia Fund**

Virginia is required to have a balanced budget. However, its debt levels are rising since the State is beginning a variety of large highway and university construction projects. This is occurring at the same time as the State repeals its \$2.8 billion personal property tax on automobiles. The personal property tax repeal will be phased in through 2002. The State has not yet developed plans to replace the lost revenue.

Virginians have a higher than average reliance on the Federal government for employment than other states. At the same time, the Federal government is attempting to reduce its size. Although much of the Federal civilian workforce reductions in Virginia have already occurred, the State remains vulnerable to military reductions and base closings.

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## **Management**

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### **The Advisor**

We are Madison Mosaic, LLC, 1655 Ft. Myer Drive, Arlington, Virginia, 22209, a wholly owned subsidiary of Madison Investment Advisors, Inc., 6411 Mineral Point Road, Madison, Wisconsin ("Madison"). We manage approximately \$200 million in the Mosaic family of mutual funds, which includes stock, bond and money market portfolios. Madison, a registered investment advisory firm for over 25 years, provides professional portfolio management services to a number of clients and has approximately \$3.5 billion under management. We share investment management personnel with Madison.

We are responsible for the day-to-day administration of the Trust's activities. Investment decisions regarding each of the Trust's funds can be influenced in various manners by a number of individuals.

Generally, all decisions regarding a fund's average maturity, duration and investment considerations concerning interest rate and market risk are the primary responsibility of Madison's investment policy committee. The investment policy committee is made up of the top officers and managers of Madison.

Day-to-day decisions regarding the selection of individual bonds and other management functions for all of the Trust's funds are primarily the responsibilities of Michael J. Peters and Chris Berberet.

Mr. Peters, portfolio manager and vice president of Madison since joining Madison in February 1997, was formerly Vice President and Fixed-Income Portfolio Manager for Wachovia Asset Management from March 1993 until joining Madison. Prior to his management of mutual fund assets at Wachovia, Mr. Peters had been involved in municipal bond management and trading for NationsBank since March 1990. Mr. Peters became involved in the management of the Trust's six funds on February 20, 1997.

Mr. Berberet, vice president of Madison Mosaic and a principal of Madison, joined Madison in 1992. Since that time, he has continuously been a lead manager for the fixed-income portfolios of Madison's private advisory clients. He has also been a member of Madison's investment policy committee since joining Madison in 1992. Mr. Berberet began managing the Trust's portfolios after July 31, 1996.

## **Compensation**

*Advisory Fee.* We receive a fee for our services under our Investment Advisory Agreement with the Trust. The fee is calculated as 5/8% per year of the average daily net assets of each fund other than the Money Market and 1/2% per year of the average daily net assets of the Money Market.

*Administrative and Services Fee.* Under a separate Services Agreement with the Trust, we provide or arrange for each fund to have all other operational and other support services it needs. We receive a fee calculated as a percentage of the average daily net assets of each fund for these services. Since October 1, 1998, this fee has been set at the following rates: Money Market – 0.36%; National Fund – 0.44%; Arizona Fund – 0.49%; Maryland Fund – 0.51%; Missouri Fund – 0.47%; and Virginia Fund – 0.39%. We have been waiving 0.10% of this fee for the Money Market since October 1, 1998. We can end this waiver at any time.

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## **Pricing of Fund Shares**

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The price of each fund share is based on its net asset value (or “NAV”). This equals the total daily value of the respective fund’s investments, minus its expenses and liabilities, divided by the total number of outstanding shares. Each fund’s NAV is calculated at the close of the New York Stock Exchange each day it is open for trading.

We use the market value of the securities in each fund in order to determine NAV. We obtain the market value from one or more established pricing services.

In order to stabilize the Tax-Free Money Market’s share price at \$1.00, we use the “penny rounding” pricing method. This allows us to round the NAV to the nearest penny.

When you purchase or redeem shares, your transaction will be priced based on the next calculation of NAV after your order is placed. This may be higher, lower or the same as the NAV from the previous day.

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## **Dividends and Distributions**

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Each fund’s net income is declared as dividends each business day. Dividends are paid in the form of additional shares credited to your account at the end of each calendar month, unless you elect in writing to receive a monthly dividend check. Any net realized capital gains would be distributed at least annually. (Please refer to Mosaic’s “Guide to Doing Business” for more information about dividend distribution options.)

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## **Taxes**

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### **Federal Tax Considerations**

Each fund offered by the Trust will distribute to shareholders 100% of its net income and net capital gains, if any. At least 80% of the net income each fund distributes will be tax-free income.

Capital gain distributions, if any, will be taxable to you. In January each year, the Trust will send you an annual notice of dividends and other distributions paid during the prior year. While dividends will normally be exempt from income tax, capital gain distributions, if any, are subject to taxation. Capital gain distributions can be taxed at different rates depending on the length of time the securities were held.



Because the share price fluctuates for each fund, if you redeem shares you will create a capital gain or loss that has tax consequences. It is your responsibility to calculate the cost basis of shares purchased. You must retain all statements received from the Trust to maintain accurate records of your investments.

An *exchange* of any fund's shares for shares of another fund will be treated as a *sale* of the fund's shares. As a result, any gain on the transaction may be subject to federal, state or local income tax.

If you do not provide a valid social security or tax identification number, you may be subject to federal withholding at a rate of 31% of dividends, any capital gain distributions and redemptions. Any fine assessed against the Trust that results from your failure to provide a valid social security or tax identification number will be charged to your account.

In addition to possible taxable capital gain distributions, certain bonds owned by the Trust generate income that is subject to the Alternative Minimum Tax ("AMT"). The interest on these "private activity" bonds could become subject to AMT if you are a taxpayer that meets the AMT criteria. If you are subject to AMT, you will be required to add any income attributable to these bonds (as reported by the Trust annually) to other so-called "tax preference items" to determine possible liability for AMT. Income from AMT bonds may not exceed 20% of any fund's net income.

## **State Tax Considerations**

While dividends from the Arizona, Maryland, Missouri and Virginia Funds will normally be exempt from income tax for investors in their respective states, capital gain distributions are subject to applicable state taxation in Arizona, Missouri and Virginia. For Maryland Fund shareholders, capital gains derived from Maryland obligations are exempt from Maryland state tax.

Normally, the percentage of the National Fund or the Money Market invested in the shareholder's home state becomes the percentage of total dividend income exempt from state taxes. However, in most states, the rest of the dividends from the National Fund and Money Market will be subject to any state income tax.

## Financial Highlights

The following financial highlights table is intended to help you understand each fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate that an investor would have earned on an investment in each fund (assuming reinvestment of all dividends and distributions). This information for periods after September 30, 1996 has been audited by Deloitte & Touche LLP, whose report, along with the Trust's financial statements, are included in the annual report, which is available upon request. Other independent auditors audited information for periods before October 1, 1996.

Year	Net asset value beginning of period	Net investment income	Net realized & unrealized gain (loss) on investments	Total from investment operations	Distributions from net investment income	Distributions from capital gains	Total distributions	Net asset value end of period	Total return	Net assets end of period (thousands)	Ratio of expenses to average net assets <sup>1</sup>	Ratio of net investment income to average net assets	Portfolio turnover
<b>Arizona Fund</b>													
1999	\$10.74	\$0.44	\$(0.71)	\$(0.27)	\$(0.44)	--	\$(0.44)	\$10.03	(2.57)%	\$7,175	1.12%	4.23%	37%
1998	10.45	0.45	0.29	0.74	(0.45)	--	(0.45)	10.74	7.21	8,625	1.11	4.22	26
1997	10.15	0.47	0.30	0.77	(0.47)	--	(0.47)	10.45	7.67	8,746	1.11	4.54	32
1996	10.11	0.44	0.04	0.48	(0.44)	--	(0.44)	10.15	4.85	9,066	1.35	4.35	9
1995	9.71	0.44	0.40	0.84	(0.44)	--	(0.44)	10.11	8.95	10,009	1.31	4.48	24
<b>Maryland Fund</b>													
1999	\$10.24	\$0.40	\$(0.66)	\$(0.26)	\$(0.40)	--	\$(0.40)	\$9.58	(2.60)%	\$2,045	1.13%	4.02%	14%
1998	10.00	0.41	0.24	0.65	(0.41)	--	(0.41)	10.24	6.68	2,113	1.13	4.09	30
1997	9.71	0.42	0.29	0.71	(0.42)	--	(0.42)	10.00	7.42	2,098	1.12	4.29	15
1996	9.74	0.41	(0.03)	0.38	(0.41)	--	(0.41)	9.71	3.96	2,042	1.28	4.12	21
1995	9.32	0.42	0.42	0.84	(0.42)	--	(0.42)	9.74	9.17	2,880	0.87	4.42	9
<b>Missouri Fund</b>													
1999	\$10.87	\$0.44	\$(0.75)	\$(0.31)	\$(0.44)	--	\$(0.44)	\$10.12	(2.95)%	\$7,686	1.10%	4.15%	17%
1998	10.53	0.44	0.34	0.78	(0.44)	--	(0.44)	10.87	7.61	12,002	1.09	4.18	24
1997	10.22	0.46	0.31	0.77	(0.46)	--	(0.46)	10.53	7.72	11,553	1.02	4.45	41
1996	10.13	0.44	0.09	0.53	(0.44)	--	(0.44)	10.22	5.24	11,381	1.34	4.27	21
1995	9.73	0.44	0.40	0.84	(0.44)	--	(0.44)	10.13	8.87	11,394	1.31	4.43	16
<b>Virginia Fund</b>													
1999	\$11.93	\$0.49	\$(0.80)	\$(0.31)	\$(0.49)	--	\$(0.49)	\$11.13	(2.69)%	\$30,229	1.02%	4.22%	27%
1998	11.56	0.50	0.37	0.87	(0.50)	--	(0.50)	11.93	7.66	32,612	1.02	4.28	32
1997	11.21	0.52	0.35	0.87	(0.52)	--	(0.52)	11.56	7.95	32,614	1.05	4.55	28
1996	11.12	0.51	0.09	0.60	(0.51)	--	(0.51)	11.21	5.50	33,340	1.20	4.53	28
1995	10.63	0.50	0.49	0.99	(0.50)	--	(0.50)	11.12	9.54	33,822	1.14	4.68	55

Year	Net asset value beginning of period	Net investment income	Net realized & unrealized gain (loss) on investments	Total from investment operations	Distributions from net investment income	Distributions from capital gains	Total distributions	Net asset value end of period	Total return	Net assets end of period (thousands)	Ratio of expenses to average net assets <sup>1</sup>	Ratio of net investment income to average net assets	Portfolio turnover
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### National Fund

1999	\$11.00	\$0.42	\$(0.70)	\$(0.28)	\$(0.42)	--	\$(0.42)	\$10.30	(2.67)%	\$22,838	1.07%	3.87%	35%
1998	10.62	0.42	0.38	0.80	(0.42)	--	(0.42)	11.00	7.66	25,607	1.07	3.91	20
1997	10.29	0.44	0.33	0.77	(0.44)	--	(0.44)	10.62	7.70	26,698	1.05	4.20	44
1996	10.21	0.45	0.08	0.53	(0.45)	--	(0.45)	10.29	5.17	29,286	1.20	4.32	39
1995	9.85	0.45	0.36	0.81	(0.45)	--	(0.45)	10.21	8.40	32,734	1.18	4.49	56

### Tax-Free Money Market

1999	\$1.00	\$0.02	--	\$0.02	\$(0.02)	--	\$(0.02)	\$1.00	2.49%	\$6,818	0.77% <sup>2</sup>	2.46% <sup>3</sup>	--
1998	1.00	0.03	--	0.03	(0.03)	--	(0.03)	1.00	2.75	7,270	0.85	2.70	--
1997	1.00	0.03	--	0.03	(0.03)	--	(0.03)	1.00	2.71	6,852	0.83 <sup>2</sup>	2.68 <sup>3</sup>	--
1996	1.00	0.03	--	0.03	(0.03)	--	(0.03)	1.00	2.63	7,499	0.88 <sup>2</sup>	2.59 <sup>3</sup>	--
1995	1.00	0.03	--	0.03	(0.03)	--	(0.03)	1.00	2.87	8,454	0.81	2.83	--

<sup>1</sup> For the years ended September 30, 1997 and 1996, the ratio reflects fee paid indirectly.

<sup>2</sup> For the years ended September 30, 1999, 1997 and 1996, the ratio of expenses to average net assets before expenses incurred and paid by the investment advisor would have been 0.86%, 0.95% and 1.15%, respectively, for such years.

<sup>3</sup> For the years ended September 30, 1999, 1997 and 1996, ratio of net investment income to average net assets before expenses incurred and paid by the investment advisor would have been 2.37%, 2.56% and 2.32%, respectively, for such years.

Mosaic Tax-Free Trust has a Statement of Additional Information (SAI) that includes additional information about each Mosaic Tax-Free Fund. Additional information about each fund's investments is available in the Trust's annual and semi-annual reports to shareholders. In the Trust's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the performance of the Trust's funds during their last fiscal year. The SAI and the Trust's annual and semi-annual reports are available without charge by calling the Trust at the shareholder service phone number.

Information on how to purchase and sell shares in any Mosaic Fund is provided in a separate brochure entitled, "**Guide to Doing Business.**" Mosaic's "**Guide to Doing Business**" is incorporated by reference into this prospectus.

Please call our shareholder service department if you have any questions about any Mosaic Tax-Free Fund or if you would like a copy of any written fund information. Additional information is also available at the Mosaic Funds Internet Investment Center at <http://www.mosaicfunds.com>

Finally, you can review and copy information about Mosaic Tax-Free Trust (including the SAI) at the SEC's Public Reference Room in Washington, DC. Information about the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-942-8090. Reports and other information about the Trust are available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. Copies of this information may also be obtained, upon payment of a duplicating fee, by writing the SEC's Public Reference Section, Washington, DC 20549-6009.

### Telephone Numbers

#### Shareholder Service

Toll-free nationwide: **1 888 670-3600**

#### Mosaic Tiles (24 hour automated information)

Toll-free nationwide: **1 800 336-3063**

### Transfer Agent

Mosaic Funds, c/o Firstar Mutual Fund Services, LLC,  
P.O. Box 701, Milwaukee, WI 53201-0701.

SEC File Number 811-3486

## Mosaic Tax-Free Trust

*Mosaic Tax-Free Arizona Fund*

*Mosaic Tax-Free Maryland Fund*

*Mosaic Tax-Free Missouri Fund*

*Mosaic Tax-Free Virginia Fund*

*Mosaic Tax-Free National Fund*

*Mosaic Tax-Free Money Market*

## PROSPECTUS

*February 1, 2000*



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